

AURORA CITY
FINANCIAL STATEMENTS
JUNE 30, 2005

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Kimball & Roberts

Certified Public Accountants

A Professional Corporation

Box 663

Richfield, Utah 84701

Phone 896-6488

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
Aurora City
Aurora, Utah 84620

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Aurora City as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Aurora City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Aurora City as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2005, on our consideration of Aurora City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis, condition assessment of the City's infrastructure and budgetary comparison information on pages 4 through 14 and 45 through 47 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Redmond Town's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements of Aurora City. The combining nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



KIMBALL & ROBERTS, P. C.
Certified Public Accountants

October 18, 2005
Richfield, Utah

AURORA CITY MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2005

This discussion of Aurora City's financial performance provides an overview of the City's financial activities for the year ending June 30, 2005. This report is in conjunction with the City's financial statements.

The purpose of the City is to provide general services to its residents which includes general government, public safety, highways and public improvements and parks and recreation.

Financial Highlights

- * The assets of the City exceeded its liabilities as of the close of the most recent year by \$3,673,618 (net assets). Of this amount, \$677,917 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- * The government's total net assets increased by \$70,879. The revenues were less than the adopted budgeted amounts, and expenditures were less than the adopted budgeted amounts.
- * At the close of the current year, the City's governmental funds reported ending fund balances of \$472,920, a increase of \$71,571 in comparison with the prior year. Approximately 44 percent of this total amount, \$206,887, is available for spending at the government's discretion (unreserved fund balance).
- * At the end of the current year, unreserved fund balance for the general fund was \$47,953, or 28 percent of total general fund expenditures.
- * The City's total debt decreased by \$86,419 during the current year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Aurora City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private sector business.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

**AURORA CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued.
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of the City include general government, public health, highways and public improvements and parks and recreation. The business-type activity of the City is the enterprise fund, containing water, sewer, trash collection and irrigation services.

Refer to the table of contents for the location of the government-wide financial statements.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Aurora City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and enterprise funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statement, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on balance of spendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditure, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Aurora City maintains three governmental funds, the general fund, capital projects fund., and the Perpetual Care Fund.

The City adopts an annual appropriated budget for its general and capital project funds. A budgetary comparison statement has been provided to demonstrate legal compliance with the adopted budget for the general fund.

Refer to the table of contents for the location of the basic governmental fund financial statements.

Proprietary Funds

Aurora City maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses an enterprise fund to account for its water, sewer, trash collection and irrigation operations.

**AURORA CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued.
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The enterprise fund is considered a major fund of the City.

Refer to the table of contents for the location of the basic proprietary fund financial statements.

Notes To The Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes are part of the basic financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Aurora City, assets exceeded liabilities by \$3,673,618 at the close of the most recent fiscal year.

By far the largest portion of the City's net assets (74 percent) reflects its investment in capital assets (e.g. land, buildings, machinery, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Aurora City's Net Assets

	Governmental		Business-type		Total	Total
	<u>Activities</u>	<u>Activities</u>	<u>Activities</u>	<u>Activities</u>		
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Current and Other Assets	476,990	350,562	490,039	453,751	967,029	804,313
Capital Assets	518,162	555,700	3,317,235	3,403,002	3,835,397	3,958,702
Total Assets	<u>995,152</u>	<u>906,262</u>	<u>3,807,274</u>	<u>3,856,753</u>	<u>4,802,426</u>	<u>4,763,015</u>

**AURORA CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued.
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

Aurora City's Net Assets - Continued

	Governmental Activities		Business-Type Activities		Total	Total
Long-Term Liabilities	-	-	1,122,434	1,208,242	1,122,434	1,208,242
Other Liabilities	4,070	1,300	2,304	2,839	6,374	4,139
Total Liabilities	4,070	1,300	1,124,738	1,211,081	1,128,808	1,212,381
Net Assets:						
Invested in Capital Assets						
Net of Related Debt	518,162	555,700	2,194,802	2,194,754	2,712,964	2,750,454
Restricted	266,033	190,628	16,704	12,120	282,737	202,748
Unrestricted	206,887	158,634	471,030	438,792	677,917	597,426
Total Net Assets	991,082	904,962	2,682,536	2,645,666	3,673,618	3,550,628

A portion of the City's net assets (8 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$677,918, may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the year, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

Governmental Activities

Governmental activities increased the City's net assets by \$34,033. Key elements of this decrease follows:

Aurora City's Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	Total
	2005	2004	2005	2004	2005	2004
Revenues:						
Program Revenues:						
Charges for Services	42,711	28,249	286,373	273,344	329,084	301,593
Operating Grants	50,541	73,359	-	-	50,541	73,359
General Revenues:						
Property Taxes	50,092	34,908	-	-	50,092	34,908
Other Taxes	107,814	92,418	-	-	107,814	92,418
Grants and Contributions						
Not Restricted to Specific Programs	-	-	-	-	-	-

**AURORA CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued.
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

Aurora City's Changes in Net Assets - Continued.

	Governmental Activities		Business-Type Activities		Total	Total
	2005	2004	2005	2004	2005	2004
Unrestricted Investment Earnings	10,715	5,792	10,284	6,446	20,999	12,238
Total Revenues	261,873	234,726	296,657	279,790	560,535	514,516
Expenses:						
General Government	60,023	64,342	259,811	236,807	319,834	301,149
Public Safety	45,857	58,741	-	-	45,857	58,741
Highways	73,509	59,709	-	-	73,509	59,709
Parks and Recreation	48,452	52,782	-	-	48,452	52,782
Total Expenses	227,841	235,574	259,811	236,807	487,652	472,381
Decrease in Net Assets Before Transfers	34,032	(848)	36,846	42,983	70,878	42,135
Transfers	-	-	-	-	-	-
Increase in Net Assets	34,032	(848)	36,846	42,983	70,878	42,135
Net Assets - Beginning	957,050	957,898	2,645,690	2,602,707	3,602,740	3,560,605
Net Assets - Ending	991,082	957,050	2,682,536	2,645,690	3,673,618	3,602,740

For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.

Business-Type Activities

Business-type activities increased the City's net assets by \$36,846. Key elements of the changes are shown above.

Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**AURORA CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued.
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

Governmental Funds

The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the year.

At the end of the year, the City's governmental funds reported ending fund balance of \$472,920 an increase of \$71,571 in comparison with the prior year. Approximately 44 percent of this amount, \$206,887 constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed to highways and public improvements of \$212,044, and Perpetual Care of \$53,989.

The general fund is the chief operating fund of the City. At the end of the current year, unreserved fund balance of the general fund was \$47,953, while total fund balance reached \$259,997. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 28 percent of total general fund expenditures, while total fund balance represents 149 percent of that same amount.

Proprietary Funds

The City's proprietary fund provides the same type of information found in the government-wide financial statements but in more detail.

Unrestricted net assets of the enterprise fund at the end of the year was \$471,030. Other factors concerning the finances of this fund have already been addressed in the discussion of the City's business type activities.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget of \$6,137 can be briefly summarized as follows:

- * \$120 increase in general government.
- * \$5,700 increase in public safety.
- * \$58,170 decrease in highways and public improvements.
- * \$5,762 increase in parks and recreation.
- * \$52,725 increase in transfers to capital project fund.

Of the total general fund expenditures, none was funded out of prior year's unreserved fund balance.

Capital Asset and Debt Administration

Capital Assets

The City's investment in capital assets for its governmental activities as of June 30, 2005, was \$518,162 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, equipment and infrastructure, which includes roads, highways and public improvements.

AURORA CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued.
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

Capital Asset and Debt Administration-continued.

Aurora City's Capital Assets
(net of depreciation)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Land	33,500	33,500	79,103	79,103	112,603	112,603
Water Shares	-	-	77,434	77,434	77,434	77,434
Infrastructure	280,000	311,500	-	-	280,000	311,500
Buildings	141,500	146,750	-	-	141,500	146,750
Improvements	10,762	-	-	-	10,762	-
Water & Irrigation System	-	-	1,131,122	1,168,306	1,131,122	1,168,306
Sewer System	-	-	2,028,874	2,077,107	2,028,874	2,077,107
Equipment	52,400	63,950	702	1,052	53,102	65,002
Total	518,162	555,700	3,317,235	3,403,002	3,835,397	3,958,702

Additional information on the City's capital assets can be found in the notes to the financial statements.

Long -Term Debt

At the end of the current year, the City had bonds outstanding of \$1,122,434.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Revenue Bonds	-	-	581,434	615,248	581,434	615,248
General Obligation	-	-	541,000	593,000	541,000	593,000
Total Long-Term Debt	-	-	1,122,434	1,208,248	1,122,434	1,208,248

State statutes limit the amount of general obligation debt a governmental entity may issue to 12 percent of its total fair market value of taxable property in the City. The current debt limitation for the City is approximately \$2,300,000. The total general obligation debt at year end was \$541,000.

Additional information on the City's long-term debt can be found in the notes of the financial statements.

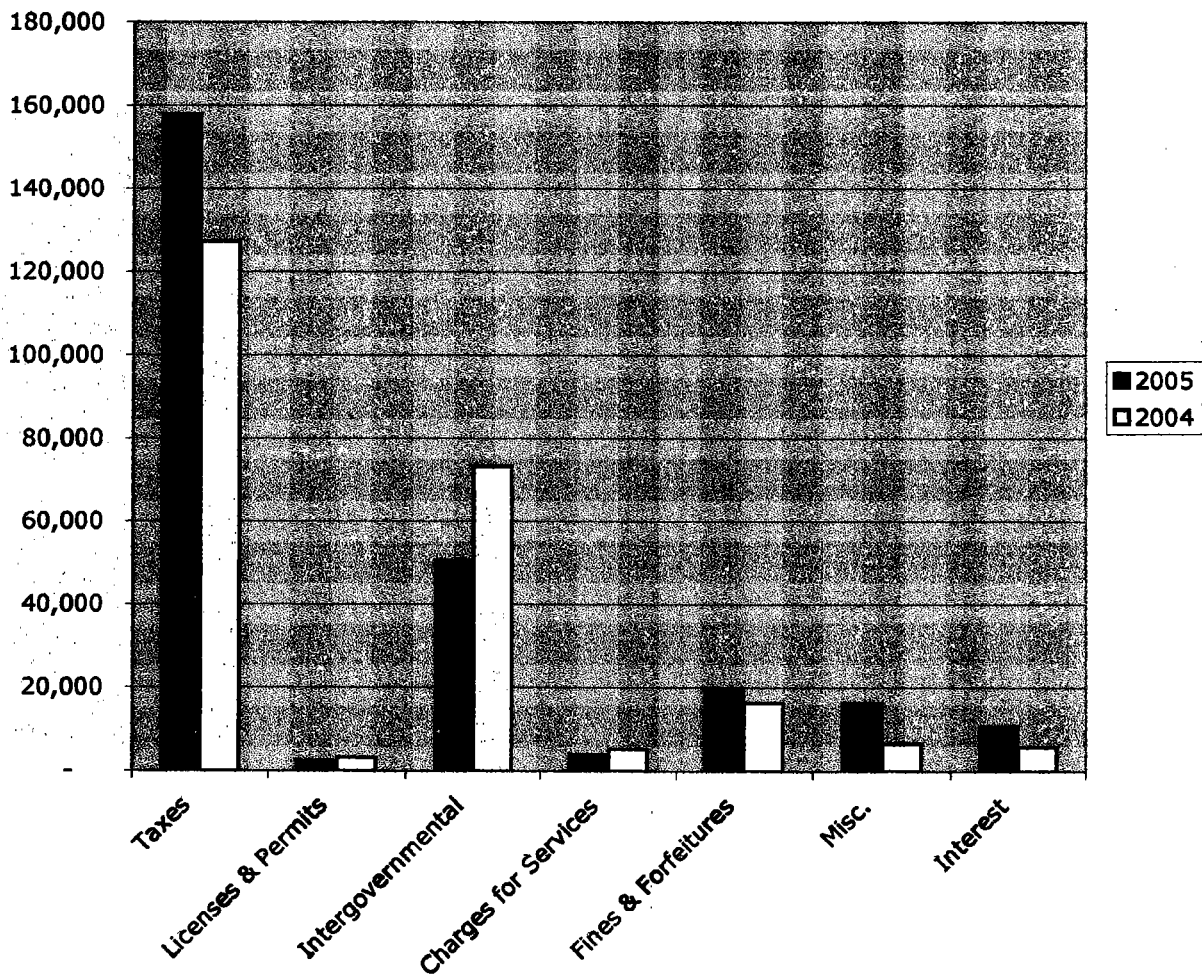
Request for Information

This financial report is designed to provide a general overview of Aurora City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Aurora City Recorder, P.O. Box 477, Aurora, Utah, 84620-0477.

**Aurora City
Governmental Revenues
For The Fiscal Years Ending June 30, 2005 and 2004**

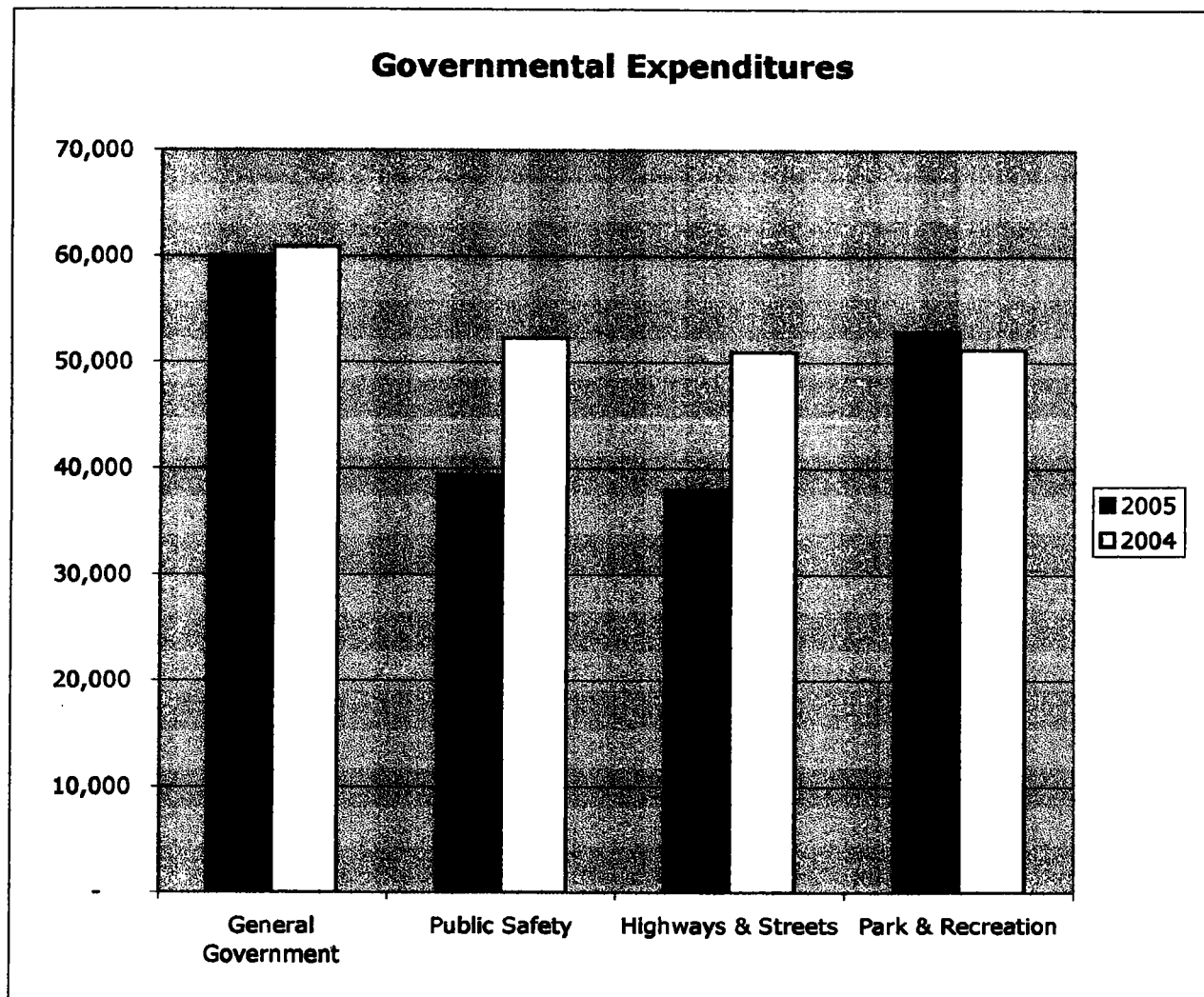
	2005	2004
Taxes	157,905	127,326
Licenses & Permits	2,429	3,155
Intergovernmental	50,541	73,366
Charges for Services	4,015	5,220
Fines & Forfeitures	19,849	16,389
Misc.	16,418	6,685
Interest	10,715	5,785
Total Revenues	261,872	237,926

Governmental Revenues



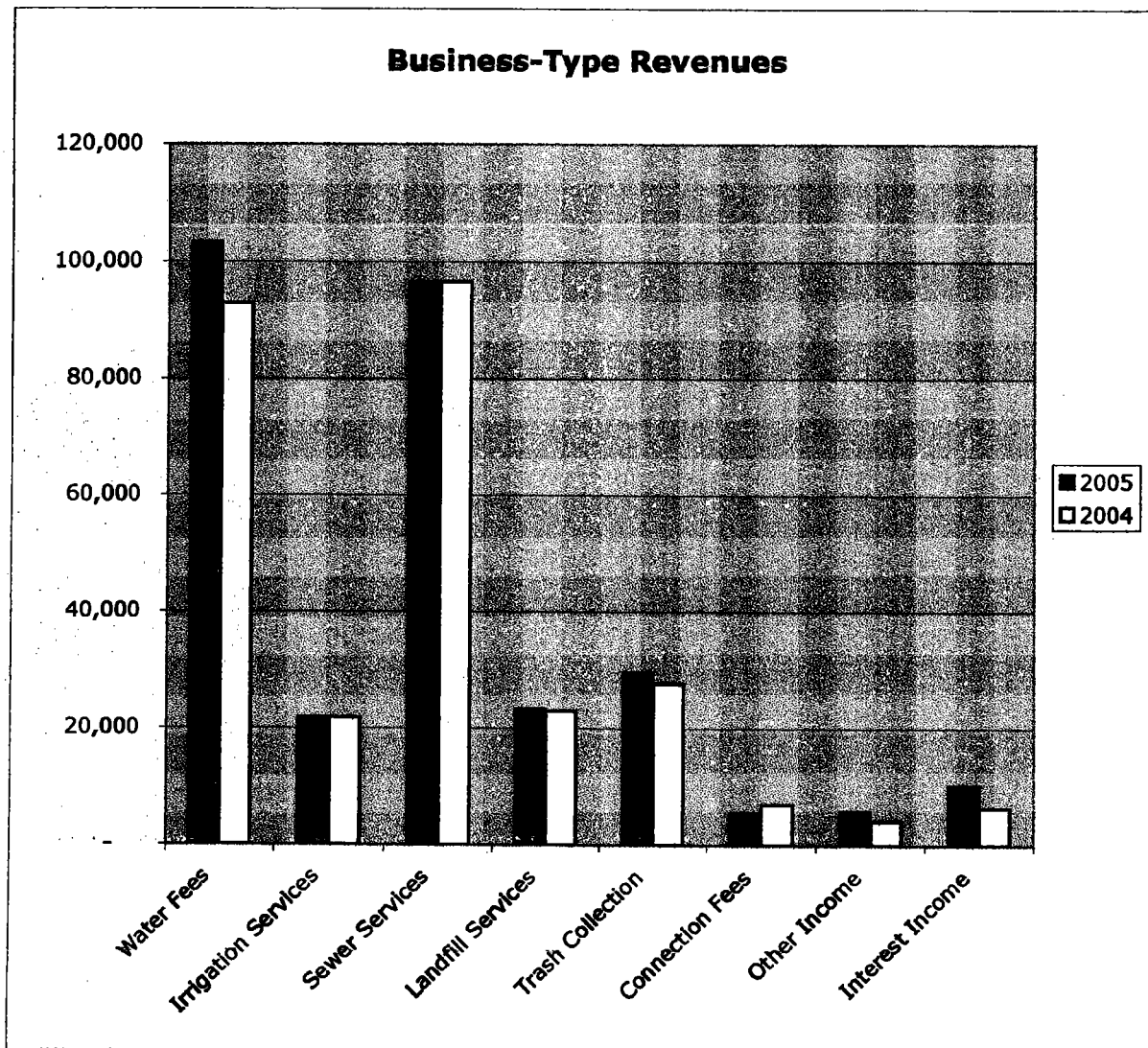
**Aurora City
Governmental Expenditures
For The Fiscal Years Ending June 30, 2005 and 2004**

	2005	2004
General Government	60,023	60,892
Public Safety	39,357	52,241
Highways & Streets	38,009	50,959
Park & Recreation	52,913	51,182
Total Expenditures	190,302	215,274



Aurora City
Business-Type Revenues
For The Fiscal Years Ending June 30, 2005 and 2004

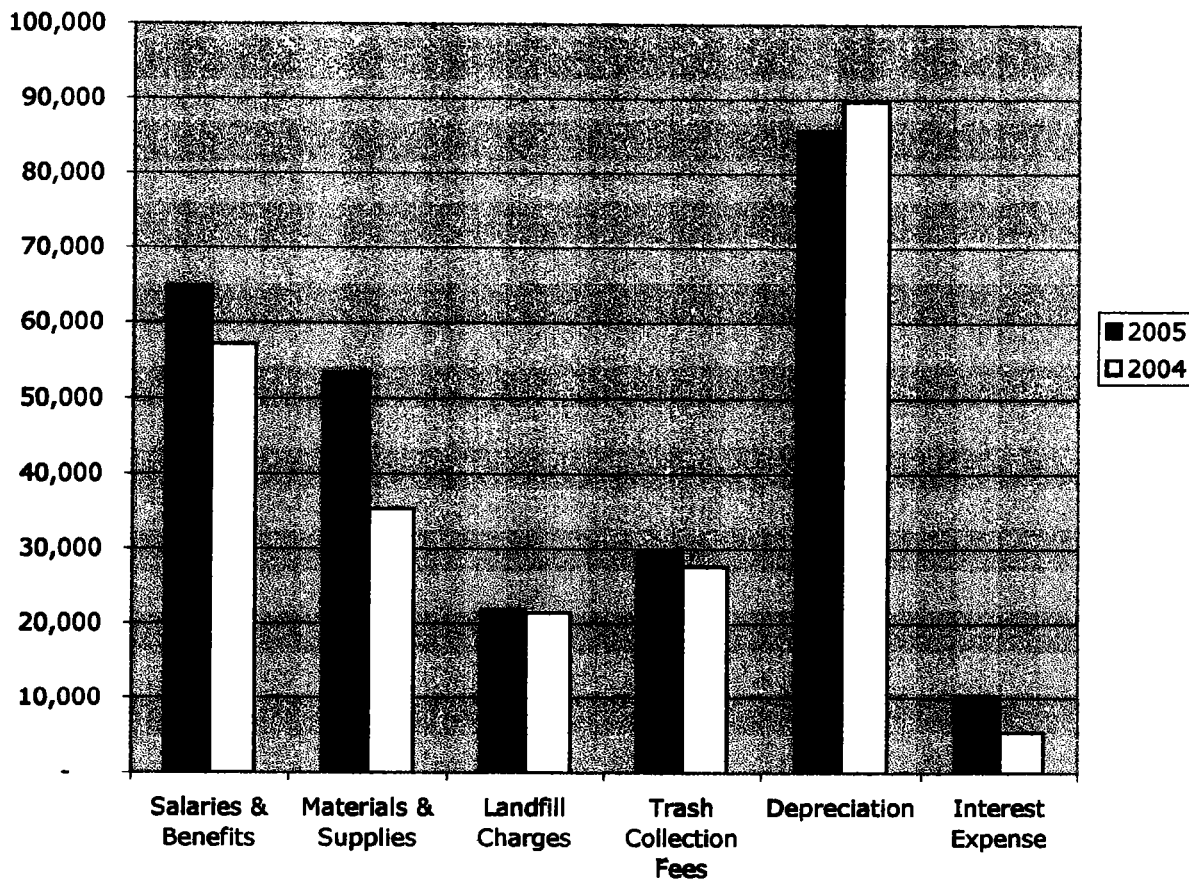
	2005	2004
Water Fees	103,355	92,880
Irrigation Services	21,900	21,897
Sewer Services	96,585	96,600
Landfill Services	23,383	22,991
Trash Collection	29,621	27,755
Connection Fees	5,640	6,980
Other Income	5,890	4,157
Interest Income	10,284	6,446
Total Revenues	296,658	279,706



Aurora City
Business Type Expenditures
For The Fiscal Years Ending June 30, 2005 and 2004

	2005	2004
Salaries & Benefits	64,978	57,151
Materials & Supplies	53,417	35,355
Landfill Charges	21,890	21,464
Trash Collection Fees	29,609	27,703
Depreciation	85,767	89,738
Interest Expense	10,284	5,396
Total Expenditures	265,945	236,807

Business-Type Expenditures



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is used to assist in formatting, for easier reading)

BASIC FINANCIAL STATEMENTS

**AURORA CITY
STATEMENT OF NET ASSETS**

June 30, 2005

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents	415,603	447,989	863,592
Accounts Receivable (Net)	-	25,346	25,346
Due From Other Government Units	7,398	-	7,398
Total Current Assets	423,001	473,335	896,336
Noncurrent Assets:			
Restricted Cash and Cash Equivalents	53,989	16,704	70,693
Capital Assets (Net of Accumulated Depreciation):			
Land	33,500	79,103	112,603
Water Shares	-	77,434	77,434
Buildings	141,500	-	141,500
Improvements Other Than Buildings	10,762	-	10,762
Vehicles	37,000	-	37,000
Equipment	15,400	702	16,102
Water and Irrigation Systems	-	1,135,574	1,135,574
Sewer Collection System Infrastructure	- 280,000	2,024,422 -	2,024,422 280,000
Total Noncurrent Assets	572,151	3,333,939	3,906,090
TOTAL ASSETS	995,152	3,807,274	4,802,426
LIABILITIES			
Current Liabilities:			
Accounts Payable	4,070	754	4,824
Deposits Payable	-	1,550	1,550
Revenue Bonds Payable - Due Within One Year	-	35,106	35,106
General Obligation Bonds - Due Within One Year	-	52,000	52,000
Total Current Liabilities	4,070	89,410	93,480
Noncurrent Liabilities:			
Revenue Bonds Payable - Due More Than One Year	-	546,328	546,328
General Obligation Bonds - Due More Than One Year	-	489,000	489,000
Total Noncurrent Liabilities	-	1,035,328	1,035,328
TOTAL LIABILITIES	4,070	1,124,738	1,128,808
NET ASSETS			
Investment in Capital Assets, Net of Debt	518,162	2,194,802	2,712,964
Restricted For:			
Bond Retirement	-	16,704	16,704
Class C Road	212,044	-	212,044
Perpetual Care	53,989	-	53,989
Unrestricted	206,887	471,030	677,917
TOTAL NET ASSETS	991,082	2,682,536	3,673,618
TOTAL LIABILITIES AND NET ASSETS	995,152	3,807,274	4,802,426

The notes to the financial statements are an integral part of this statement.

**AURORA CITY
STATEMENT OF ACTIVITIES**

For The Fiscal Year Ended June 30, 2005

Function/Programs	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Assets		
		Charges for Services	Operating Grants/ Contributions	Capital Grants/ Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government:							
Governmental Activities:							
General Government	60,023	18,847	-	-	(41,176)	-	(41,176)
Public Safety	45,857	19,849	14,978	-	(11,030)	-	(11,030)
Highways and Public Improvements	73,509	-	35,563	-	(37,946)	-	(37,946)
Park and Recreation	48,451	4,015	-	-	(44,436)	-	(44,436)
Total Governmental Activities	227,840	42,711	50,541	-	(134,588)	-	(134,588)
Business-Type Activities:							
Utility Systems	259,811	286,373	-	-	-	26,562	26,562
Total Primary Government	487,651	329,084	50,541	-	(134,588)	26,562	(108,026)
General Revenues:							
Property Taxes					37,134	-	37,134
Fee-In-Lieu of Property Taxes					12,958	-	12,958
Sales Taxes					106,801	-	106,801
Franchise Taxes					1,013	-	1,013
Unrestricted Investment Earnings					10,715	10,284	20,999
Total General Revenues and Transfers					168,621	10,284	178,905
Change in Net Assets							
					34,033	36,846	70,879
Net Assets - Beginning							
					957,049	2,645,690	3,602,739
Net Assets - Ending							
					991,082	2,682,536	3,673,618

The notes to the financial statements are an integral part of this statement.

**AURORA CITY
BALANCE SHEET
GOVERNMENTAL FUNDS**

For The Fiscal Year Ended June 30, 2005

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	256,669	212,923	469,592
Due From Other Government Units	<u>7,398</u>	<u>-</u>	<u>7,398</u>
TOTAL ASSETS	<u><u>264,067</u></u>	<u><u>212,923</u></u>	<u><u>476,990</u></u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	<u>4,070</u>	<u>-</u>	<u>4,070</u>
Total Liabilities	<u><u>4,070</u></u>	<u><u>-</u></u>	<u><u>4,070</u></u>
Fund Balances:			
Reserved For:			
Class "C" Road	212,044	-	212,044
Perpetual Care	-	53,989	53,989
Unreserved, Reported In:			
General Fund	47,953	-	47,953
Capital Project Fund	<u>-</u>	<u>158,934</u>	<u>158,934</u>
Total Fund Balance	<u><u>259,997</u></u>	<u><u>212,923</u></u>	<u><u>472,920</u></u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>264,067</u></u>	<u><u>212,923</u></u>	<u><u>476,990</u></u>

The notes to the financial statements are an integral part of this statement.

AURORA CITY
BALANCE SHEET RECONCILIATION TO STATEMENT OF NET ASSETS

June 30, 2005

Total Fund Balances - Governmental Fund Types	472,920
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:

Land	33,500
Buildings	141,500
Improvements Other Than Buildings	10,762
Vehicles	37,000
Equipment	15,400
Infrastructure	<u>280,000</u>

Total (Net of Depreciation)	<u>518,162</u>
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Net Assets of Government Activities	<u><u>991,082</u></u>
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AURORA CITY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For The Fiscal Year Ended June 30, 2005

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	157,905	-	157,905
Licenses and Permits	2,429	-	2,429
Intergovernmental Revenue	40,979	9,563	50,542
Charges for Services	2,115	1,900	4,015
Fines and Forfeitures	19,849	-	19,849
Interest	10,715	-	10,715
Miscellaneous Revenues	16,418	-	16,418
Total Revenues	<u>250,410</u>	<u>11,463</u>	<u>261,873</u>
Expenditures:			
Current:			
General Government	60,023	-	60,023
Public Safety	23,074	16,283	39,357
Highways and Public Improvements	38,009	-	38,009
Parks and Recreation	52,913	-	52,913
Total Expenditures	<u>174,019</u>	<u>16,283</u>	<u>190,302</u>
Excess Revenues Over (Under) Expenditures	<u>76,391</u>	<u>(4,820)</u>	<u>71,571</u>
Other Financing Sources (Uses):			
Transfers In	-	42,525	42,525
Transfers (Out)	(42,525)	-	(42,525)
Total Other Financing	<u>(42,525)</u>	<u>42,525</u>	<u>-</u>
Net Change In Fund Balance	<u>33,866</u>	<u>37,705</u>	<u>71,571</u>
Fund Balance - Beginning	<u>226,131</u>	<u>175,218</u>	<u>401,349</u>
Fund Balance - Ending	<u><u>259,997</u></u>	<u><u>212,923</u></u>	<u><u>472,920</u></u>

The notes to the financial statements are an integral part of this statement.

AURORA CITY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For The Fiscal Year Ended June 30, 2005

Amounts reported for governmental activities in the statement of activities
are different because:

Net Changes in Fund Balances - Total Governmental Funds	71,571
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Governmental funds report capital outlays as expenditures. However, in
the statement of activities the cost of those assets is allocated over their
estimated useful lives and reported as depreciation expense. This is the
amount by which capital outlays exceeded depreciation in the current period:

Capital Outlay	10,773	
Depreciation Expense	<u>(48,311)</u>	
Total		<u>(37,538)</u>

Changes In Net Assets of Governmental Activities	<u><u>34,033</u></u>
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**AURORA CITY
STATEMENT OF NET ASSETS
PROPRIETARY FUND**

June 30, 2005

	Business-Type Activity Enterprise Fund Water and Sewer Fund
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	447,989
Accounts Receivable	<u>25,346</u>
Total Current Assets	<u>473,335</u>
Noncurrent Assets:	
Restricted Cash and Cash Equivalents	16,704
Capital Assets: (Net of Accum. Depr.)	
Land	79,103
Water Shares	77,434
Water and Irrigation Systems	1,135,574
Sewer Collection System	2,024,422
Equipment	<u>702</u>
Total Noncurrent Assets	<u>3,333,939</u>
TOTAL ASSETS	<u><u>3,807,274</u></u>
LIABILITIES:	
Current Liabilities:	
Accounts Payable	754
Deposits Payable	1,550
Revenue Bonds Payable - Current Portion	35,106
General Obligation Bonds - Current Portion	<u>52,000</u>
Total Current Liabilities	<u>89,410</u>
Noncurrent Liabilities:	
Revenue Bonds Payable - Long-Term Portion	546,328
General Obligation Bonds - Long-Term Portion	<u>489,000</u>
Total Noncurrent Liabilities	<u>1,035,328</u>
TOTAL LIABILITIES	<u>1,124,738</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	2,194,802
Restricted for Bonded Retirement	16,704
Unrestricted	<u>471,030</u>
TOTAL NET ASSETS	<u>2,682,536</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>3,807,274</u></u>

The notes to the financial statements are an integral part of this statement.

AURORA CITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND

June 30, 2005

	Business-Type Activity <u>Enterprise Fund</u> Water and Sewer Fund
Operating Revenues:	
Charges for Sales and Services:	
Water Sales	103,355
Irrigation Fees	21,900
Sewer Sales	96,585
Landfill Fees	23,383
Trash Collection Fees	29,621
Connection Fees	5,640
Other	<u>5,890</u>
Total Operating Revenues	<u>286,374</u>
Operating Expenses:	
Salaries and Benefits	64,978
Materials, Supplies and Services	53,417
Landfill Charges	21,890
Trash Collection Payments	29,609
Depreciation	<u>85,767</u>
Total Operating Expenses	<u>255,661</u>
Operating Income	<u>30,713</u>
Nonoperating Revenues (Expenses):	
Investment Earnings	10,283
Interest Expense	<u>(4,150)</u>
Total Nonoperating Revenues (Expenses)	<u>6,133</u>
Change in Net Assets	36,846
Total Net Assets - Beginning	<u>2,645,690</u>
Total Net Assets - Ending	<u><u>2,682,536</u></u>

The notes to the financial statements are an integral part of this statement.

**AURORA CITY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND**

June 30, 2005

	<u>Business-Type Activity Enterprise Fund Water and Sewer Fund</u>
Cash Flows From Operating Activities:	
Receipts From Customers	288,530
Payments to Suppliers	(104,902)
Payments to Employees	<u>(64,978)</u>
Net Cash Provided by Operating Activities	<u>118,650</u>
Cash Flows From Noncapital Financing Activities:	
Change in Customer Deposits	<u>(550)</u>
Cash Flows From Capital and Related Financing Activities:	
Principal Paid on Capital Debt	(85,790)
Interest Paid on Capital Debt	<u>(4,150)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(89,940)</u>
Cash Flows from Investing Activities:	
Interest Received	<u>10,285</u>
Net Increase (Decrease) in Cash and Cash Equivalents	38,445
Cash and Cash Equivalents - Beginning	<u>426,248</u>
Cash and Cash Equivalents - Ending	<u><u>464,693</u></u>
Reconciliation of Operating Income to Net Cash Provided (Used) By Operating Activities:	
Operating Income	<u>30,712</u>
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) By Operating Activities:	
Depreciation	85,767
Increase (Decrease) in Operating Assets:	
Accounts Receivable	2,157
Accounts Payable	<u>15</u>
Total Adjustments	<u>87,939</u>
Net Cash Provided (Used) by Operating Activities	<u><u>118,651</u></u>

The notes to the financial statements are an integral part of this statement.

**AURORA CITY
NOTES TO FINANCIAL STATEMENTS**

June 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Aurora City conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant policies:

The accompanying basic financial statements present the financial position of various fund types and the results of operations of the various fund types. The basic financial statements are presented for the year ended June 30, 2005.

The following is a summary of the more significant policies:

A. Reporting Entity

Aurora City is a municipal corporation in Sevier County, Utah. It is governed by an elected Mayor and a five member council. As required by generally accepted accounting principles, these financial statements are of the primary government, Aurora City, the reporting entity. The City has no component units.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., statement of net assets and statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

AURORA CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting as are the proprietary fund and the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, Aurora City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenues items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Capital Projects Fund account for the acquisition of fixed assets or construction of major capital improvements not being financed by proprietary or nonexpendable trust funds.

The Perpetual Care Permanent Fund is used to account for principal trust amounts received and related interest income. The interest portion of the trust can be used to maintain the cemetery.

The Government reports the following Proprietary Funds:

The Utility Funds accounts for the activities of the City water and sewer operations. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer funds are charges to customers for services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

AURORA CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Net Assets or Equity

Deposits and Investments:

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to invest in obligations of the U. S. Treasury, commercial paper, corporate bonds, repurchase agreements and the State Treasurer's Investment Pool.

Investments for the government, as well as for its component units, are reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

Capital Assets:

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

AURORA CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

Improvements Other Than Buildings	20 - 50 Years
Equipment	5 - 10 Years

Long-Term Obligations:

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets.

In the fund financial statement, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, if any, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity:

In the fund financial statements, governmental funds report reservations of fund balance for amounts not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designation of fund balance represent tentative management plans that are subject to change.

E. Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

F. Budgets and Budgetary Accounting:

The governing body of the entity shall establish the time and place of the public hearing to consider the adoption of the budget and shall publish notice of the hearing at least seven days prior to the hearing in at least one issue of the newspaper of general circulation published within the County in which the entity is located. If no such newspaper is published, the required notice may be posted in three public places within the entity's jurisdiction.

AURORA CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The tentative budget must be made available to the public for inspection for a number of days, as provided by law, prior to the budget hearing.

1. On or before the first regularly scheduled meeting of the City Council in the month of May, the mayor prepares a tentative budget for the next budget year.
2. After a public notice has been published, a public hearing is then held on the adoption of the budget.
3. After the public hearing, the City Council makes final adjustments to the tentative budget.
4. On or before June 22, the City Council adopts the budget by resolution or ordinance and sets the tax rate for taxes.
5. The budget officer may transfer unexpended budgeted amounts within departments.
6. The City Council may transfer unexpended budgeted amounts from one department in a fund to another department in the same fund by resolution.
7. The total budget appropriation of any governmental fund may be increased only after a public hearing has been held and followed by resolution of the City Council.
8. Proprietary Fund budgets may be increased without a public hearing by resolution of the City Council.
9. Budgets for the General fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).

The appropriated budget is prepared by fund, function and department. The government's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the governing council. The legal level of budgetary control is the department level.

The Fiscal Procedures Act for Utah Cities require local municipalities to restrict expenditures to authorized departmental budgets. The combined statement of revenues, expenditures and changes in fund balance - budget and actual identifies the departments and funds which have overexpended budgeted amounts if any and, therefore, do not comply with appropriate fiscal procedures.

AURORA CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Property Tax Calendar:

January 1	Lien Date - All property appraised based upon situs and status as of this date (real and personal).
March 1	Calendar year taxing entities must inform the County of the date, time and place of the budget hearing for the next fiscal year for inclusion with tax notice.
June 22	All taxing entities to adopt tentative budgets and proposed tax rates and report them to the county auditor.
July 22	County auditor to prepare and mail Notice of Valuation and Tax Changes to all real property owners, including centrally assessed property owners or in the event that Notices of Valuation and Tax Changes are not required, the county auditor is to compute taxes and the county treasurer is to mail tax notices.
September 1	State Tax Commission approves tax rates.
November 1	County auditor is to deliver the equalized assessment roll to the county treasurer with affidavit.
November 1	County auditor to charge the county treasurer to account for all taxes levied.
November 1	County treasurer to mail tax notices. Tax notices for calendar year entities include notice of budget hearings.
November 30	Taxes on real property become delinquent.

NOTE 2 - DEPOSITS AND INVESTMENTS

Cash and investments as of June 30, 2005 consist of the following:

	<u>Fair Value</u>
Demand Deposits - Checking	55,727
Investment - PTIF	<u>878,558</u>
Total Cash and Investments	<u><u>934,285</u></u>

AURORA CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Cash and investments listed above are classified in the accompanying government-wide statement of net assets as follows:

Governmental Activities - Unrestricted	415,603
Governmental Activities - Restricted	53,989
Business-Type Activities - Unrestricted	447,989
Business-Type Activities - Restricted	<u>16,704</u>
Total Cash and Cash Equivalents	<u><u>934,285</u></u>

The Utah Money Management Act (UMMA) established specific requirements regarding deposits of public funds by public treasures. UMMA requires that City funds be deposited with a qualified depository which includes any depository institution which has been certified by the Utah State Commissioner of Financial Institutions as having met the requirements specified in UMMA Section 51, Chapter 7. UMMA provides the formula for determining the amount of public funds which a qualified depository may hold in order to minimize risk of loss and also defines capital requirements which an Institution must maintain to be eligible to accept public funds. UMMA lists the criteria for investments and specifies the assets which are eligible to be invest in, and for some investments, the amount of time to maturity.

UMMA enables the State Treasurer to operate the Public Treasurer's Investment Pool (PTIF). PTIF is managed by the Utah State Treasurer's investment staff and comes under the regulatory authority of the Utah Money Management Council. This council is comprised of a select group of financial professionals from units of local and state government and financial institutions doing business in the state. PTIF operations and portfolio composition is monitored at least semi-annually by the Utah Money Management Council. PTIF is unrated by any nationally recognized statistical rating organizations. Deposits in PTIF are not insured or otherwise guaranteed by the State of Utah. Participants share proportionally in any realized gains or losses on investments which are recorded on an amortized cost basis. The balance available for withdrawal is based on the accounting records maintained by PTIF. The fair value of the investment pool is approximately equal to the value of the pool shares.

Deposit and Investment Risk:

The City maintains no investment policy containing any specific provisions intended to limit the City's exposure to interest rate risk, credit risk and concentration of credit risk other than that imposed by UMMA. The City's compliance with the provisions of UMMA addressed each of these risks.

AURORA CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Interest Rate Risk:

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. All deposits and investment of the City are available immediately.

Credit Risk:

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligations. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits. Of the City's demand deposits, \$100,000 are covered by FDIC insurance.

Custodial credit risk for investment is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. This risk is addressed through the policy of investing excess monies only in PTIF.

Concentration of Credit Risk:

Concentration of credit risk the risk of loss attributed to the magnitude of a government's investments in a single issuer. PTIF falls under the constraints of UMMA in limiting concentrations of investments.

NOTE 3 - BOND RESERVE

The Water Revenue Bonds issued in 1978 require a reserve be established with 120 monthly payments of \$62.80 to a maximum of \$7,536. This reserve is fully funded.

The Water Revenue Bonds issued in 2002 require a reserve be established with 72 monthly payments of \$382.00 to a maximum of \$27,500. The reserve at year end was \$9,168.

NOTE 4 - IMPACT FEES

Effective May 23, 2001, the City adopted an impact fee ordinance for the purpose of requiring that existing, as well as new, development pay for the fair share of public facilities through impact fees which will be used to finance, defray or reimburse the City for all or a portion of the cost of public facilities which serve such development. The amount of the impact fee was to be calculated and based on the impact of new development on public facilities.

**AURORA CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

June 30, 2005

NOTE 4 - IMPACT FEES (CONTINUED)

Until and unless modified by a subsequent resolution by the City Council, an impact fee of \$1,050 for a 1/2 acre lot or smaller was imposed with respect to any new development to be connected to the system. This amount is based on \$450 for direct system impact plus the cost of the required shares of Piute Irrigation Company (PIC) stock. Currently 1/2 share of PIC stock is worth \$600. This ordinance will be revised as necessary to reflect the cost of PIC stock.

Until modified by subsequent resolution by the City Council, the following categories will apply:

Less than or equal to 1/2 acre	1,050
Greater than 1/2 acre and less than or equal to 3/4 acre	1,350
Greater than 3/4 acre and less than or equal to 1 acre	1,650
Greater than 1 acre and less than or equal to 1 1/4 acre	1,950

OR

\$50 plus transferring the required number of shares of PIC stock to Aurora City (1/2 share of PIC stock for a lot 1/2 acre and smaller plus 1/4 share for each additional 1/4 acre of lot size)

Impact fees collected during the year were expended during the year.

NOTE 5 - ACCOUNTS RECEIVABLE

Accounts receivable represent amounts owed to the City by customers at June 30, 2005. The balance of accounts receivable at year end was \$25,346.

NOTE 6 - WATER SHARES

Aurora City owns 258.97 shares of Piute Irrigation Company water stock and 9.752 shares of Willow Bend Irrigation Company water stock.

AURORA CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 7 - CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2005, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental				
Capital Assets Not Being Depreciated:				
Land	13,500	-	-	13,500
Land Under Roads	<u>20,000</u>	<u>-</u>	<u>-</u>	<u>20,000</u>
 Total Capital Assets Not Being Depreciated	 <u>33,500</u>	 <u>-</u>	 <u>-</u>	 <u>33,500</u>
 Capital Assets Being Depreciated:				
Buildings	210,000	-	-	210,000
Improvements	-	10,773	-	10,773
Vehicles	177,500	-	-	177,500
Machinery and Equipment	38,000	-	-	38,000
Infrastructure	<u>630,000</u>	<u>-</u>	<u>-</u>	<u>630,000</u>
 Total Capital Assets Being Depreciated	 <u>1,055,500</u>	 <u>10,773</u>	 <u>-</u>	 <u>1,066,273</u>
 Less Accumulated Depreciation For:				
Buildings	63,250	5,250	-	68,500
Improvements	-	11	-	11
Vehicles	132,750	7,750	-	140,500
Machinery and Equipment	18,800	3,800	-	22,600
Infrastructure	<u>318,500</u>	<u>31,500</u>	<u>-</u>	<u>350,000</u>
 Total Accumulated Depreciation	 <u>533,300</u>	 <u>48,311</u>	 <u>-</u>	 <u>581,611</u>
 Total Capital Assets Being Depreciated (Net)	 <u>522,200</u>	 <u>(37,538)</u>	 <u>-</u>	 <u>484,662</u>
 Governmental Activities Capital Assets, Net	 <u>555,700</u>	 <u>(37,538)</u>	 <u>-</u>	 <u>518,162</u>

AURORA CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 7 - CAPITAL ASSETS (CONTINUED)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Business Type Activities:				
Capital Assets Not Being Depreciated:				
Land and Right of Ways	79,103	-	-	79,103
Water Stock	77,434	-	-	77,434
 Total Capital Assets Not Being Depreciated	 156,537	 -	 -	 156,537
Capital Assets Being Depreciated:				
Water System	1,490,758	-	-	1,490,758
Irrigation System	44,437	-	-	44,437
Spring and Storage Tanks	79,370	-	-	79,370
Sewer Collection System	2,634,166	-	-	2,634,166
Equipment	9,432	-	-	9,432
 Total Capital Assets Being Depreciated	 4,258,163	 -	 -	 4,258,163
Less Accumulated Depreciation For:				
Water System	378,665	30,382	-	409,047
Irrigation System	26,336	889	-	27,225
Spring and Storage Tanks	41,256	1,463	-	42,719
Sewer Collection System	557,061	52,683	-	609,744
Equipment	8,380	350	-	8,730
 Total Accumulated Depreciation	 1,011,698	 85,767	 -	 1,097,465
 Total Capital Assets Being Depreciated (Net)	 3,246,465	 (85,767)	 -	 3,160,698
 Business Type Activities Capital Assets, Net	 3,403,002	 (85,767)	 -	 3,317,235
 Total Capital Assets	 3,958,702	 (123,305)	 -	 3,835,397

AURORA CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 7 - CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions of the Primary Government as follows:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Public Safety	6,500	-	6,500
Public Health	-	85,767	85,767
Highways and Public Improvements	35,500	-	35,500
Parks and Recreation	6,311	-	6,311
	<u>48,311</u>	<u>85,767</u>	<u>134,078</u>
Total Depreciation Expense	<u>48,311</u>	<u>85,767</u>	<u>134,078</u>

NOTE 8 - LONG-TERM DEBT

Water Revenue Bonds:

Water Revenue Bonds Series A - FHA:

Water Revenue Bonds were issued in 1978 to help finance construction of a water system. The bonds were purchased by the Farmers Home Administration in the principal amount of \$130,000 and bearing interest at the rate of five percent (5%) per annum. Principal and interest payments are to be paid from net revenues of the system. Payments toward principal and interest of \$628 are due each month. The balance at June 30, 2005, is \$67,045.

The following is a summary of Water Revenue Bonds Series A debt service to maturity:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005-2006	4,153	3,383	7,536
2006-2007	4,360	3,176	7,536
2007-2008	4,578	2,958	7,536
2008-2009	4,807	2,729	7,536
2009-2010	5,047	2,489	7,536
2011-2015	29,285	8,395	37,680
2016-2020	14,815	1,206	16,021
	<u>67,045</u>	<u>24,336</u>	<u>91,381</u>
Total Water Revenue Bonds	<u>67,045</u>	<u>24,336</u>	<u>91,381</u>

AURORA CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 8 - LONG-TERM DEBT (CONTINUED)
Water Revenue Bonds, Series 2002

On June 26, 2002, Aurora City issued Parity Water Revenue Bonds, Series 2002, in the amount of \$547,500 for the purpose of providing funds to finance all or part of the cost of constructing improvement to the culinary water system of the City. The bonds require yearly payments of \$27,000 for 5 years and 27,500 for 15 years. The bonds are interest free.

The following is a summary of debt service charges to maturity:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005-2006	27,000	-	27,000
2006-2007	27,000	-	27,000
2007-2008	27,000	-	27,000
2008-2009	27,500	-	27,500
2009-2010	27,500	-	27,500
2011-2015	137,500	-	137,500
2016-2020	137,500	-	137,500
2021-2025	<u>82,500</u>	<u>-</u>	<u>82,500</u>
Total Water Revenue Bonds	<u>493,500</u>	<u>-</u>	<u>493,500</u>

General Obligation Wastewater Bonds:

General Obligation Wastewater Bonds Series 1993 A - CIB:

Aurora City issued General Obligation Wastewater Bonds in the amount of \$100,000 Series 1993 A, on February 22, 1993. They were purchased by the Department of Community and Economic Development, Permanent Community Impact Fund Board. This Series 1993 A Bond is issued for the purpose of paying the cost of construction of a system for the collection, treatment and disposal of wastewater and sewage, together with all appurtenances and incidents thereto including such legal, engineering and fiscal agent expenses reasonably incurred.

These Bonds are payable in twenty-five (25) annual installments, in the amount of \$4,000 without interest on the principal. The first payment was due on April 1, 1995 and each year on the same date through 2019. The balance at June 30, 2005, is \$56,000.

AURORA CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 8 - LONG-TERM DEBT (CONTINUED)

The following is a summary of General Obligation Wastewater Bonds Series A debt service to maturity:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005-2006	4,000	-	4,000
2006-2007	4,000	-	4,000
2007-2008	4,000	-	4,000
2008-2009	4,000	-	4,000
2009-2010	4,000	-	4,000
2011-2015	20,000	-	20,000
2016-2020	16,000	-	16,000
Total Series A Bonds	<u>56,000</u>	<u>-</u>	<u>56,000</u>

General Obligation Wastewater Bonds Series 1993 B - DWQ:

Aurora City issued General Obligation Wastewater Bonds in the amount of \$965,000 Series 1993 B, on February 22, 1993. They were purchased by the State of Utah, Water Quality Board. On April 20, 1993, \$160,000 of the principal sum was purchased by the State of Utah, Water Quality Board and the balance of \$805,000 was purchased on February 7, 1994. This Series 1993 B Bond is issued for the purpose of paying the cost of construction of a system for the collection, treatment and disposal of wastewater and sewage, together with all appurtenances and incidents thereto including such legal, engineering and fiscal agent expenses reasonably incurred. These Bonds are payable in twenty (20) annual installments, in the amount of \$48,000 without interest on the principal. The first payment was due on January 1, 1996 and a payment will be due each year on January 1st through 2015. The balance at June 30, 2005, is \$485,000.

The following is a summary of General Obligation Wastewater Bonds Series B debt service to maturity:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005-2006	48,000	-	48,000
2006-2007	48,000	-	48,000
2007-2008	48,000	-	48,000
2008-2009	48,000	-	48,000
2009-2010	48,000	-	48,000
2011-2015	244,000	-	244,000
2016-2020	1,000	-	1,000
Total Series B Bonds	<u>485,000</u>	<u>-</u>	<u>485,000</u>
Total Gen. Obligation Bonds	<u><u>485,000</u></u>	<u><u>-</u></u>	<u><u>485,000</u></u>

AURORA CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 8 - LONG-TERM DEBT (CONTINUED)

Loan:

Community Impact Board:

In December of 1988, the City Council approved water system improvements in the amount of \$190,000. The project was financed with a grant of \$126,667 and a loan in the amount of \$63,333 from the Utah Community Impact Board, bearing interest at four percent (4%) per annum. Annual payments of \$4,660 are applied to interest and principal. The balance of the loan at June 30, 2005, is \$20,889.

The following is a summary of the Community Impact Board Loan to maturity:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005-2006	3,824	836	4,660
2006-2007	3,977	682	4,659
2007-2008	4,137	524	4,661
2008-2009	4,302	-	4,302
2009-2010	4,649	-	4,649
	<u>20,889</u>	<u>2,042</u>	<u>22,931</u>
Total Loans Payable			

The following is a summary of total Long-Term Debt to maturity:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005-2006	86,977	4,219	91,196
2006-2007	87,337	3,858	91,195
2007-2008	87,715	3,482	91,197
2008-2009	88,609	2,729	91,338
2009-2010	89,196	2,489	91,685
2011-2015	430,785	8,395	439,180
2016-2020	169,315	1,206	170,521
2021-2025	82,500	-	82,500
	<u>1,122,434</u>	<u>26,378</u>	<u>1,148,812</u>
Total Long-Term Debt			

AURORA CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 8 - LONG-TERM DEBT (CONTINUED)

The following is a schedule of changes in Long-Term Debt:

	Date of Issue	Interest Rate	Total Authorized	Outstanding June 30, 2004	Current Year Changes		Outstanding June 30, 2005
					Issued	Matured	
Water Revenue Bonds:							
Series A - Farmers Home Administration	1977	5%	130,000	70,182	-	3,137	67,045
Series 2002 - Parity Water Revenue Bonds	2002	0%	547,500	520,500	-	27,000	493,500
General Obligation Wastewater Bonds:							
Series 1993 A - Community Impact Board	1993	0%	100,000	60,000	-	4,000	56,000
Series 1993 B - Department of Water Quality	1993	0%	965,000	533,000	-	48,000	485,000
Loan:							
Community Impact Board	1988	4%	63,333	24,566	-	3,677	20,889
Total Long-Term Debt			1,805,833	1,208,248	-	85,814	1,122,434

AURORA CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 9 - CLASS "C" ROADS

The following is a statement of receipts and disbursements in Class "C" roads:

Fund Balance - Beginning of Year		190,628
Receipts:		
State of Utah Allotments	35,563	
Interest	<u>4,851</u>	
Total Receipts		40,414
Disbursements:		
Maintenance		<u>(18,998)</u>
Fund Balance - End of Year		<u><u>212,044</u></u>

NOTE 10 - PERPETUAL CARE FUND

The following is a statement of receipts and disbursements in the Perpetual Care Fund:

Fund Balance - Beginning of Year	52,089
Receipts:	
Perpetual Care Payments	1,900
Disbursements	<u>-</u>
Fund Balance - End of Year	<u><u>53,989</u></u>

NOTE 11 - TRANSFERS

<u>Description</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	-	42,525
Capital Projects	<u>42,525</u>	<u>-</u>
	<u><u>42,525</u></u>	<u><u>42,525</u></u>

Transfers were made for the following purposes:

- * The General Fund transferred \$42,525 to Capital Projects Fund for future capital outlays.

AURORA CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 12 - PENSION PLAN

Local Governmental - Cost Sharing

Plan Description:

Aurora City contributes to the Local Governmental Noncontributory Retirement Systems which is a cost-sharing multiple-employer defined benefit pension plan administered by the Utah Retirement Systems (Systems). The System provides retirement benefits, annual cost of living allowances, death benefits and refunds to plan members and beneficiaries in accordance with retirement statutes established and amended by the State Legislature.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 (Chapter 49) as amended, which also establishes the Utah State Retirement Office (Office) for the administration of the Utah Retirement Systems and plans. Chapter 49 places the Systems, the Office and related plans and programs under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that included financial statements and required supplementary information for the Systems and Plans. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

Funding Policy:

Aurora City is required to contribute a percent of covered salary to the following system; 11.09% to the Noncontributory System. The contribution rates are the actuarially determined rates and are approved by the Board as authorized by Chapter 49.

Aurora City contributions to the various systems for the years ending June 30, 2005, 2004 and 2003 respectively were; for the Noncontributory System, \$8,214.96, \$6,951.72 and \$6,009.45. The contributions were equal to the required contributions for each year.

NOTE 13 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City participates in the Utah Local Governments Trust. The insurance coverage's are written on a group purchase arrangement. All of the insurance coverage is brokered and written through various insurance companies. Utah Local Government Trust acts as the broker.

Liability:

The City is insured for \$5,000,000 combined single limit with no deductible for Comprehensive General Liability. Bodily injury, personal injury, property damage, public officials errors and omissions coverage \$5,000,000 aggregate each policy period with no deductible.

AURORA CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 13 - RISK MANAGEMENT (CONTINUED)

Automobile Liability:

The City is insured for automobile bodily injury for \$5,000,000 combined single limit per accident with a \$250 deductible each accident. Property damage \$1,000,000 aggregate each policy period. The coverage also covers uninsured motorist \$50,000 each accident and \$50,000 each policy period.

Property:

All of the property coverage is insured through Northwestern National Casualty Co. Buildings and equipment are covered based on replacement costs subject to a \$250 deductible.

Workers Compensation:

This coverage is provided through the Utah Local Government Trust.

The City has not experienced any significant reduction in insurance coverage from the previous year nor has it paid any settlements in excess of insurance coverage in the past three fiscal years.

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is used to assist in formatting, for easier reading)

**REQUIRED SUPPLEMENTARY
INFORMATION
"UNAUDITED"**

**AURORA CITY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

For The Fiscal Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> (Budgetary Basis) (See Note A)	<u>Variance With</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, July 1, 2004	<u>226,132</u>	<u>226,132</u>	<u>226,132</u>	<u>-</u>
Resources (Inflows):				
Taxes:				
General Property Taxes	35,245	35,245	35,244	(1)
Prior Years Property Taxes	1,160	1,160	1,158	(2)
Motor Carrier Tax	750	750	732	(18)
General Sales and Use Taxes	105,000	105,000	106,801	1,801
Fee-In-Lieu	13,000	13,000	12,958	(42)
Franchise Tax	<u>1,000</u>	<u>1,000</u>	<u>1,012</u>	<u>12</u>
Total Taxes	<u>156,155</u>	<u>156,155</u>	<u>157,905</u>	<u>1,750</u>
Licenses and Permits:				
Business Licenses	800	800	766	(34)
Animal Licenses	<u>1,600</u>	<u>1,600</u>	<u>1,663</u>	<u>63</u>
Total Licenses and Permits	<u>2,400</u>	<u>2,400</u>	<u>2,429</u>	<u>29</u>
Intergovernmental Revenue:				
Class C Road	40,000	40,000	35,563	(4,437)
State Liquor Allotment	420	420	416	(4)
State Liquor Allotment	<u>-</u>	<u>-</u>	<u>5,000</u>	<u>5,000</u>
Total Intergovernmental Revenue	<u>40,420</u>	<u>40,420</u>	<u>40,979</u>	<u>559</u>
Charges for Services:				
Cemetery	1,200	1,200	1,200	-
Parks	<u>850</u>	<u>850</u>	<u>915</u>	<u>65</u>
Total Charges for Services	<u>2,050</u>	<u>2,050</u>	<u>2,115</u>	<u>65</u>
Fines and Forfeitures	<u>20,400</u>	<u>20,400</u>	<u>19,849</u>	<u>(551)</u>

**AURORA CITY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

For The Fiscal Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u>	<u>Variance With</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>	<u>(See Note A)</u>	<u>Positive</u> <u>(Negative)</u>
Resources (Inflows) Continued:				
Other Revenue:				
Interest	10,000	10,000	10,715	715
Other	9,838	15,975	16,418	443
Use of Fund Balance	5,200	5,200	-	(5,200)
Total Miscellaneous Revenue	25,038	31,175	27,133	(4,042)
Amounts Available for Appropriation	472,595	478,732	476,542	(2,190)
Charges to Appropriations (Outflows):				
General Government:				
City Council and Mayor	14,970	14,970	14,834	136
Administrative	32,680	32,800	30,788	2,012
Justice Courts	14,700	14,700	14,402	298
Total General Government	62,350	62,470	60,024	2,446
Public Safety:				
Police Department	10,800	16,500	14,724	1,776
Fire Department	5,500	5,500	4,920	580
Animal Control	3,800	3,800	3,430	370
Total Public Safety	20,100	25,800	23,074	2,726
Highway and Public Improvements:				
Streets and Highways	78,000	19,830	19,011	819
Class C Road	22,000	22,000	18,998	3,002
Total Highways and Public Improvements	100,000	41,830	38,009	3,821

Continued

**AURORA CITY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

For The Fiscal Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis) (See Note A)</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Charges to Appropriations (Outflows) Continued:				
Parks and Recreation:				
Parks	27,013	30,775	32,422	(1,647)
Recreation	8,000	12,500	7,550	4,950
Cemetery	14,000	11,500	12,941	(1,441)
Total Culture and Recreation	<u>49,013</u>	<u>54,775</u>	<u>52,913</u>	<u>1,862</u>
Nondepartmental:				
Transfer to Capital Improvement Fund	<u>15,000</u>	<u>67,725</u>	<u>42,525</u>	<u>25,200</u>
Total Charges to Appropriations	<u>246,463</u>	<u>252,600</u>	<u>216,545</u>	<u>36,055</u>
Budgetary Fund Balance - June 30, 2005	<u>226,132</u>	<u>226,132</u>	<u>259,997</u>	<u>33,865</u>

COMBINING FINANCIAL STATEMENTS AND SCHEDULES

**AURORA CITY
NONMAJOR GOVERNMENTAL FUNDS**

For The Fiscal Year Ended June 30, 2005

CAPITAL PROJECTS FUND

Capital Projects Fund:

Capital Projects Funds are used to account for monies received for construction or acquisition of capital assets.

PERMANENT FUND

Permanent Funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

Perpetual Care Fund:

This fund is used to account for principal trust amounts received and related interest income. The interest portion of the trust can be used to maintain the community cemetery.

**AURORA CITY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS**

June 30, 2005

	Capital Projects Fund	Permanent Fund Perpetual Care	Total Nonmajor Government Funds
ASSETS			
Cash and Cash Equivalents	<u>158,934</u>	<u>53,989</u>	<u>212,923</u>
TOTAL ASSETS	<u><u>158,934</u></u>	<u><u>53,989</u></u>	<u><u>212,923</u></u>
LIABILITIES AND FUND BALANCES			
Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:			
Reserved For:			
Perpetual Care	-	53,989	53,989
Unreserved, Reported in:			
Capital Projects Fund	<u>158,934</u>	<u>-</u>	<u>158,934</u>
Total Fund Balances	<u><u>158,934</u></u>	<u><u>53,989</u></u>	<u><u>212,923</u></u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>158,934</u></u>	<u><u>53,989</u></u>	<u><u>212,923</u></u>

AURORA CITY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS

For The Year Ended June 30, 2005

	Capital Projects Fund	Permanent Fund Perpetual Care	Total Nonmajor Government Funds
Revenues:			
Intergovernmental Revenue	9,563	-	9,563
Charges for Services	-	1,900	1,900
Total Revenues	<u>9,563</u>	<u>1,900</u>	<u>11,463</u>
Expenditures:			
Public Safety	16,283	-	16,283
Excess of Revenues Over (Under) Expenditures	(6,720)	1,900	(4,820)
Other Financing Sources (Uses):			
Transfer From General Fund	42,525	-	42,525
Net Change in Fund Balance	35,805	1,900	37,705
Fund Balances - Beginning	<u>123,129</u>	<u>52,089</u>	<u>175,218</u>
Fund Balances - Ending	<u><u>158,934</u></u>	<u><u>53,989</u></u>	<u><u>212,923</u></u>

COMPLIANCE SECTION

Kimball & Roberts

Certified Public Accountants

A Professional Corporation

Box 663

Richfield, Utah 84701

Phone 896-6488

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Mayor and City Council
Aurora City
Aurora, Utah 84620

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Aurora City as and for the year ended June 30, 2005, which collectively comprise Aurora City's basic financial statements and have issued our report thereon dated October 18, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

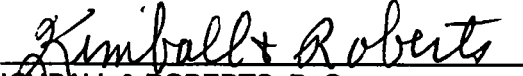
In planning and performing our audit, we considered Aurora City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Aurora City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Honorable Mayor and City Council
Aurora City
Page -2-

This report is intended solely for the information and use of the audit committee, management, City Council and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


KIMBALL & ROBERTS, P. C.
Certified Public Accountants

October 18, 2005
Richfield, Utah

Kimball & Roberts

Certified Public Accountants

A Professional Corporation

Box 663

Richfield, Utah 84701

Phone 896-6488

AUDITOR'S REPORT ON STATE LEGAL COMPLIANCE

Honorable Mayor and City Council
Aurora City
Aurora, Utah 84620

We have audited the financial statements of Aurora City, for the fiscal year ended June 30, 2005, and have issued our report thereon dated October 18, 2005. As part of our audit, we have audited Aurora City's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah's Legal Compliance Audit Guide for the fiscal year ended June 30, 2005. The City received the following major State assistance programs from the State of Utah:

C Road Funds (Department of Transportation)
Liquor Law Enforcement (State Tax Commission)

The City also received the following nonmajor grants, which are not required to be audited for specific compliance requirements: (However, these programs were subject to testwork as part of the audit of Aurora City's financial statements.)

Fire Department Assistance Grant (Department of Natural Resources)
Computer Grant (State Courts)

Our audit also included testwork on the City's compliance with those general compliance requirements identified in the Compliance Manual for Audits of Local Governments in Utah including:

Public Debt
Cash Management
Purchasing Requirements
Budgetary Compliance
Property Tax
Other Compliance Requirements

The management of Aurora City is responsible for the City's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

Honorable Mayor and City Council
Aurora City
Page -2-

The results of our audit procedures no instances of noncompliance with the requirements referred to above.

In our opinion, Aurora City, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to its major State assistance programs for the fiscal year ended June 30, 2004.


KIMBALL & ROBERTS, P. C.
Certified Public Accountants

October 18, 2005
Richfield, Utah